Difference between Tariff Barriers & Non Tariff Barriers

***Tariff barriers:** Tarif is a tax on import which is collected by the Federal government and which raises the price of the goods to the consumer. Also known as duties for import duties, tariff usually Aims first to limit import and second to raise revenue.

*Tarrifs are official constraints on imports of certain goods and services in the form of custom duties on products moving across the borders .The tariff barriers may be classified as follows:

1. **On the basis of direction of trade Import Vs Export tariffs**: tariff may be imposed on the basis of direction of product movement. Such tariff are generally imposed on raw materials or primary products rather than on manufactured or value added goods.

2. **On the basis of purpose: protective versus revenue tariff**: the tariff imposed to protect the home industry agriculture and labour from foreign competitors is is termed as protective tariff which discourages foreign goods. India has historically had very high tarrif to protect domestic industry from foreign competition.

3. **On the basis of time length: tariff surcharge versus countervailing duty:**

-on the basis of duration of imposition tariffs may be classified either as a surcharge or as a countervailing duty. Any surcharge on tariff represent a short term action by the importing country while countervailing duties are more or less permanent in nature.

4. **On the basis of tariff rates: specific, Ad Valorem, combined:**

-**an ad valorem tariff** is a set percentage of the value of the good that is being imported sometimes these are problematic as when the international prize of a good falls so does the tariff and domestic industries become more vulnerable to competition & vice versa

-**specific tariff** is a tariff of a specific amount of money that does not vary with the price of the goods. These tariff may be harder to decide the amount at which to set them and they may need to be updated due to change in the market or inflation.

-**combined duty** is a combination of specific and Valorem on a single product. Under this specific as well as ad valorem rates are applied to an import product.

5. **On the basis of production and distribution points:**

-**single stage sales tax**-tax collected at only 1 point in the manufacturing and distribution chain is known as single stage sales tax.

-**value added tax (VAT)**-it is a multistage non cumulative tax on levied at at each stage of of production and distribution system and at each stage of of value addition. A tax has to be paid each time product passes from one hand to another in the marketing channel however the tax collected at each stage based on the value addition during that stage and and not on the total value of of the product till that point.

-**Cascade tax:** taxes levied on the total value of the product at each. In the manufacturing and distribution channel including taxes born by the product at earlier stages are known as cascade taxes. India had a long regime of cascade taxes where in the taxes levied at a later stage in marketing channel over the taxes already born buy the product. Search a taxation system add to the cost of the product making goods non competitive in the market.

-**Excise tax**: it is one time tax levied on the sale of a specific product. Alcoholic beverages and cigarettes in most countries tend to attract more excise duty.

-**Turnover tax**: in order to compensate for similar taxes levied on domestic products turnover or equalization tax is imposed. Although the equalization tax hardly equalizers prices its impact is an even on domestic and imported products.

**** Non tariff barriers**

*Non tariff barriers are non transparent and inhibit trade on a discriminatory basis. As the WTO regime calls for binding of tariffs where in the member countries are not free to increase the tariffs at their will non tariff barriers in innovative forms are emerging as powerful tools to restrict imports on discriminatory basis. The major non tariff barriers include:

-**Government participation in trade**: providing consultations two foreign companies on regular basis government policies and state trading is often used as disguised protection of national interest and as a barrier to foreign marketers. A subsidy is a financial contribution provided directly or indirectly by a government that confers a benefits. Various forms of subsidies include cash payment, rebate in interest rates, value added tax, corporate income tax, sales tax, insurance etc.

-**Customs and Entry procedures:**

Customs and Entry procedures: custom classification valuation documentation various types of permits inspection requirement and health and safety regulation are often used to Hinder free flow of trade and discriminate among exporting countries this therefore Institute important non tariff marketing barriers.

*__Questions__: these are the quantitative restrictions on Exports intended to protect local industry and to conserve foreign currencies various types of quotas include:

-**absolute quota-**these quotas are the most restrictive, limiting in absolute terms the quantity imported during the quota period .Once the quantity of the import quota is fulfilled no further imports are allowed.

-**Tariff quota**-it allows Import of a specified quantity of Kota products at reduced rate of Duty however excess quantities over the Kota can be imported subject to a higher rate of import duty. Such a combination of coaters and tariffs facilitates import and at the same time discourages through higher tarrifs excessive quantities of import.

-**Voluntary Quota**-voluntary quotas are unilaterally imposed in terms of a formal arrangement between countries for between a country and industry. Such agreements generally specify the import limit in terms of product ,country and volume.

-The multi fibre agreement (MFA)-what's the largest voluntary quota arrangement where in in the developed countries force to the agreement on economically weaker countries to provide artificial production to their domestic industries. However with the integration of the MFA with the WTO the quota regime is likely to be scrapped by 2005. Mainly, all coaters have a restrictive effect on the free flow of goods across International markets.